

Oriental Kopi Holdings (KOPI MK)

Highly Exciting But Mostly Priced In For Now

Highlights

- SSSG accelerates despite aggressive rollout for the year. Meanwhile, upcoming locations will benefit from an influx of tourist arrivals.
- International expansion is on the horizon, with firmed up details by 1Q26.
- Valuations have surged, pricing in most of its exciting prospects. Maintain HOLD and target price of RM1.20.

Analysis

- Oriental Kopi hosted its 4QFY25 results briefing. Here are our key takeaways:

- **Accelerating SSSG despite explosive store rollout.** Recall that FY25 recorded sales growth of 62.6% yoy. Outlet count grew 64.7% or 11 new stores to end the year with 28 outlets (FY24: 17). SSSG for the year was at a robust 12.2% (FY24: 9.3%).
- **Moderated but still highly attractive growth.** Heading into FY26, management indicated an outlet rollout of 8-10 outlets (representing up to 36% growth in outlet count) in Malaysia. This would include tourist hotspots such as KLIA, KLIA 2 Departure Satellite, Merdeka 118 and its Sabah location.
- **Positioned to capture tourist spending.** These outlets are primed to be thronged by tourists, which should be aided by Visit Malaysia 2026. It complements the existing outlets across airports (KLIA 2, Senai Airport) and iconic malls (Suria KLCC, TRX & Pavilion KL). Although management estimated that tourists account for 10% of sales, tourist contributions in locations such as Suria KLCC are close to 50% of outlet sales.
- **Collaboration with Uniqlo.** On 17 Oct 25, Oriental Kopi Holdings (Oriental Kopi) announced its collaboration with Japanese global apparel giant Uniqlo to launch exclusive co-branded apparel and merchandise across both Uniqlo and Oriental Kopi outlets, elevating Oriental Kopi's iconic positioning and its cultural representation of Malaysian cuisine.

Key Financials

Year to 30 Sep (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	277.3	450.9	626.5	759.8	863.5
EBITDA	80.2	117.1	158.3	199.5	217.8
Operating profit	60.9	87.5	118.6	144.6	159.5
Net profit (rep./act.)	43.1	60.8	86.3	106.0	116.4
Net profit (adj.)	43.1	62.1	86.3	106.0	116.4
EPS	2.2	3.1	4.3	5.3	5.8
PE	58.0	40.3	29.0	23.6	21.5
P/B	46.7	8.5	7.1	5.9	5.0
EV/EBITDA	31.0	20.4	14.2	10.7	9.3
Dividend yield	0.8	0.8	1.1	1.4	1.5
Net margin	15.6	13.8	13.8	14.0	13.5
Net debt/(cash) to equity	-1.1	-0.9	-0.9	-1.0	-1.1
Interest cover	17.6	19.8	49.3	65.7	45.1
ROE	79.4	25.5	23.8	25.2	23.4
Consensus net profit	n.a	n.a	81.96	96.62	n.a
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	n.a

Source: Oriental Kopi, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM1.25
Target Price	RM1.20
Upside	-4.0%

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Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	KOPI MK
Shares issued (m)	2,000.0
Market cap (RMm)	2,500.0
Market cap (US\$m)	623.2
3-mth avg daily t'over (US\$m)	0.8

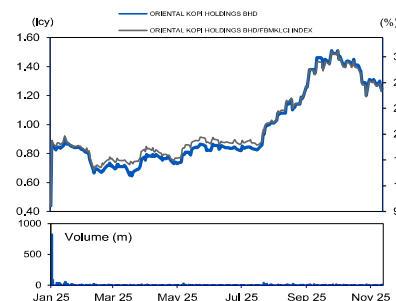
Price Performance (%)

52-week high/low			RM1.51/RM0.74	
1mth	3mth	6mth	1yr	YTD
-12.6	31.3	56.3	184.0	184.0

Major Shareholders

	%
Dato' Chan Jian Chern	42.2
FY25 NAV/Share (RM)	0.15
FY25 Net Debt/Share (RM)	0.12

Price Chart



Source: Bloomberg

Company Description

Malaysia's largest homegrown public-listed cafe chain that offers local cuisine and Halal-certified packaged food products.

- International expansion on the horizon.** In terms of its international expansion beyond Singapore, management indicated that it is in the midst of finalising finer details and should have concrete plans by 1Q26. Neighbouring countries such as Indonesia, Thailand and the Philippines are being considered. While it is challenging operating in multiple countries and managing fast paced expansion domestically, we note that its Singapore operations have been profitable since its first full quarter of launching its first outlet. Seeing how methodical and measured management is, we believe a rollout across multiple countries is manageable (minimal initial losses, if any), which could translate to meaningful contributions in the 2-3 years subsequent to that.
- Gross margin dip from reclassification.** 4QFY25 group gross margins eased marginally to 24.7% as its full-year margins came in at 25.3% (FY24: 29.9%). While café chain operations margins have largely been stable, FMCG margins were significantly lower by 10.4ppt to 43.3% in the latest quarter. It primarily stemmed from the reclassification of certain sales and marketing expenses as cost of goods sold instead of operating expenses. 4QFY25 PBT margins were lower from -1.9ppt lower qoq to 18.3% as a result of: a) the opening of three outlets during the quarter (one outlet in 3QFY25), b) relocation expenses tied to Midvalley Southkey café, and c) lumpy admin expenses.
- Input costs have stabilised.** Coffee and santan prices have stabilised after having increased earlier in the year. Management indicated that the introduction of more seasonal items to cushion margins is being preferred as opposed to an outright price adjustment at this juncture.
- Back to the drawing board for its central kitchen.** Management is still assessing potential sites for the central kitchen. The earlier shortlisted location was deemed unsuitable because a gas pipeline ran through the plot, prompting the company to mitigate any future risks akin to the Putra Heights gas explosion incident.

Valuation/Recommendation

- Maintain HOLD and target price of RM1.20.** While we like Oriental Kopi for its robust expansion plans and exciting earnings growth trajectory of three-year earnings CAGR of 23.3%, it appears to be fairly reflected by its valuations. Most positives have been largely priced in with Oriental Kopi having returned a whirlwind 184% since its IPO on 23 January. Our target price is based on 25.9x FY26F PE, a market cap-weighted average of its peers. That said, an eventual regional rollout and successful replication of its domestic model could further catalyse both investor interest and valuations.

Earnings Revision/Risk

- No changes to earnings.** Key risk is execution and identification of new outlets and containing costs.

Top-line Growth And Key Drivers

	FY26F	FY27F	FY28F
Revenue	627	760	863
Growth (%)	39	21	14
Café outlets	35	42	49
Growth (%)	30	20	17
Specialty cafes	6	7	8

Source: Oriental Kopi, UOB Kay Hian

Café Formats And Locations



Source: Oriental Kopi

Café Network By Region



Source: Oriental Kopi

Environmental, Social, Governance (ESG)

- Environmental**
 - Sustainability.** Oriental Kopi demonstrates a commitment to circular economy principles by incorporating biodegradable materials and reducing the reliance on single-use plastics in its packaged foods. These efforts align with sustainable resource management goals.
- Social**
 - Inclusivity.** By pursuing halal certification for its cafes and packaged foods, Oriental Kopi supports cultural inclusivity and addresses the needs of diverse religious and cultural groups, ensuring broader community engagement.
- Governance**
 - Board independence.** The board includes a majority of Independent Non-Executive Directors (INED), as recommended by the Malaysian Code on Corporate Governance (MCCG). At least 50% of the board comprises INEDs, ensuring independence in decision-making and governance.
 - Board diversity.** The board is composed of individuals with diverse skills, knowledge, and experiences. This diversity extends to age, gender, and cultural backgrounds. Women represent 30% of the board, meeting MCCG recommendations for gender inclusivity.

Source: UOB Kay Hian

Profit & Loss

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Net turnover	450.9	626.5	759.8	863.5
EBITDA	117.1	158.3	199.5	217.8
Deprec. & amort.	29.5	39.7	55.0	58.3
EBIT	87.5	118.6	144.6	159.5
Total other non-operating income	0.2	1.6	2.4	2.9
Associate contributions	0.0	1.0	2.0	3.0
Net interest income/(expense)	-4.3	-2.4	-2.2	-3.5
Pre-tax profit	83.4	117.8	144.8	158.9
Tax	-22.7	-31.5	-38.7	-42.5
Minorities	0.0	0.0	0.0	0.0
Net profit	60.8	86.3	106.0	116.4
Net profit (adj.)	62.1	86.3	106.0	116.4

Balance Sheet

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Fixed assets	135.5	191.4	178.3	161.9
Other LT assets	2.4	2.4	2.4	2.4
Cash/ST investment	251.8	316.0	423.8	538.8
Other current assets	37.1	39.7	48.2	54.7
Total assets	426.7	549.4	652.6	757.8
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	61.0	90.2	106.0	119.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	72.3	107.2	122.7	135.8
Shareholders' equity	293.5	352.0	423.9	502.7
Total liabilities & equity	426.7	549.4	652.6	757.8

Cash Flow

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Operating	81.8	146.2	157.0	167.0
Pre-tax profit	84.8	117.8	144.8	158.9
Tax	-23.8	-31.5	-38.7	-42.5
Deprec. & amort.	26.3	39.7	55.0	58.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	-5.6	26.2	3.8	3.7
Other operating cashflows	0.2	-6.1	-7.8	-11.4
Investing	-29.1	-48.8	-10.1	-6.5
Capex (growth)	-31.9	-54.9	-17.9	-17.9
Proceeds from sale of assets	0.0	1.0	2.0	3.0
Others	3.5	6.1	7.8	11.4
Financing	137.5	-33.1	-39.1	-45.5
Dividend payments	-21.0	-27.8	-34.2	-37.5
Issue of shares	179.2	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	-20.7	-5.4	-4.9	-8.0
Net cash inflow (outflow)	190.2	64.2	107.8	115.0
Beginning cash & cash equivalent	59.4	251.8	316.0	423.8
Changes due to forex impact	2.1	0.0	0.0	0.0
Ending cash & cash equivalent	251.8	316.0	423.8	538.8

Key Metrics

Year to 30 Sep (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.9	21.4	22.3	21.2
Pre-tax margin	18.8	18.8	19.1	18.4
Net margin	13.8	13.8	14.0	13.5
ROA	14.5	15.7	16.2	15.4
ROE	25.5	23.8	25.2	23.4
Growth				
Turnover	62.6	38.9	21.3	13.6
EBITDA	46.1	35.2	26.0	9.2
Pre-tax profit	47.4	39.0	22.9	9.7
Net profit	40.9	42.0	22.9	9.7
Net profit (adj.)	43.9	39.0	22.9	9.7
EPS	43.9	39.0	22.9	9.7
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	-0.9	-0.9	-1.0	-1.1
Interest cover	19.8	49.3	65.7	45.1

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